Canada

Registered Charities Newsletter

No. 4 - Spring 1994

For information on the income tax issues discussed below, or if you have other comments, call us at 954-0410 for local Ottawa calls, or at 1-800-267-2384 for toll-free long distance. You can also write to us at the:

Charities Division
Revenue Canada
400 Cumberland Street
Ottawa, Ontario, K1A 0L8

Should your questions relate to the GST, please contact your local Excise/GST office.

Charities Division Client Surveys

As part of the Department's ongoing consultation efforts, the Charities Division recently conducted a survey of the client satisfaction for the registration and audit process. The overall response to the survey was very favourable and reflected a high degree of user satisfaction with both processes. The feedback received from our clients will assist us in the further refinement of our program delivery, performance indicators and service standards. We would like to thank everyone who participated in the survey.

ISSUING RECEIPTS FOR GIFTS OF ART

In April of last year, Revenue Canada issued a press release concerning a tax-receipting scheme that involved certain charities. The Department found that some charities received gifts of art for which they issued receipts to the donor for an amount well above the fair market value of the art.

The generally accepted meaning of *fair market value* is the highest price that the item given would bring in an open and unrestricted market between a willing buyer and a willing seller who are both knowledgeable, informed and prudent, and who are acting independently of each other. It is important that charities set a fair market value on receipts for donated works of art, at the time of donation, by having the art appraised by an independent appraiser, that is, one who does not have a financial connection with the donor, with the charity, or with the art being given. For gifts worth less than $1,000, a qualified employee of the charity can appraise the value of the art.

Charities can lose their charitable registration if they issue receipts that contain false information. Some charities have been misled into issuing receipts for art whose value had been unjustly inflated. They later find out that the funds they raised by selling the art were only a portion of the receipted amount. As a result, they find it difficult to meet their disbursement quota under the Income Tax Act.

Our Department publishes a pamphlet called *Gifts in Kind*. This pamphlet provides income tax information for individuals who make a donation to a registered charity, a gift to Canada or a province, or a gift of cultural property to a designated institution. Individuals can get a copy of this pamphlet from their local income tax office.

NEW SIMPLIFIED METHODS OF CALCULATING GST INPUT TAX CREDITS AND REBATES

Revenue Canada has proposed new simplified methods for charities to calculate GST input tax credits and rebates. If your charity qualifies to use these new methods and you choose to do so, you will no longer have to identify the GST payable on each invoice. You can calculate input tax credits and rebates using the same information you use to prepare financial statements for income tax purposes. Also, you do not have to file an election form to use these methods. Therefore, these methods reduce paperwork, and accounting and bookkeeping costs.

For more information about the new methods, please contact your local Excise/GST office. You can also get a copy of Revenue Canada's pamphlet titled *The Simplified Methods for Claiming Input Tax Credits and Rebates*.

Should your charity prefer not to receive this newsletter in the future, please notify the Planning and Program Development Section of the Charities Division in writing.

This newsletter forms part of a series. Keep them for future reference within your organization.

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